

**PURCHASING & PROCUREMENT
OVERSIGHT COMMITTEE (PPOC)
IDA Conference Room – 6th Floor – Ruppert Sargent Building
Meeting Minutes – April 18, 2012**

Call to Order – Michael Graves, Chairman, called the meeting to order at 12:30 p.m.

Committee Member Attendance: A roll call was taken by Jessica Spencer:

Members Present – Michael Graves, Chairman; Willie Brown, James Crocker, Martin Cross, Eddie Deerfield, Eugene Johnson, Dave Pearson, George Wallace and Lauren Yee, Vice Chairman.

Members Absent – Teresa Walker, Crystal Kleiber (with notification)

Staff and Citizen Attendance:

Legal Representation: Ms. James was unable to attend due to a work conflict.

Staff Present: Jessica Spencer, Arnelia Hancock, Karl Daughtrey, Denise Howard, Suzy Scott, Doris McRae, Octavia Andrew (Sr. Buyer, Procurement) and Debbi Brightbill (recorder)

Staff Absent: Pete Peterson, Victor Hellman

Citizens in Attendance – Rudy Langford, Edwin Boone

Approval of Minutes: The minutes of the March 21, 2012 meeting were unanimously approved as submitted.

Call for Agenda Changes – Mr. Graves asked for changes or additions to the agenda. There were no requests for changes or additions.

Old Business

Disparity Study – Ms. Spencer updated the members on the status of the Disparity Study solicitation. The bid closed March 22, 2012 and six proposals were submitted. These proposals have been individually reviewed and rated by each review committee member. The review committee members are Jessica Spencer, Suzanna Scott, Karl Daughtrey, Pete Peterson and James Gray. A meeting will be planned for committee members to meet and formally select companies for interview but a date has not been determined. Since this process for a new Disparity Study has taken so long, Mr. Deerfield asked when a decision might be determined. His concern is that data from the first study could soon expire. Ms. Spencer did not know when interviews would take place or when a decision would be finalized. Mr. Graves asked if funding for the new study has been budgeted. Mr. Daughtrey replied funding was approved for the FY12 budget and the goal is to finalize this contract before the end of FY12.

Executive Summary – Ms. Spencer presented a draft copy of an outline of the quarterly Executive Summary report. The summary, as previously recommended by the PPOC, will be sent quarterly to City Council and the City Manager’s office summarizing the PPOC’s activities. Attachments (for details) will include meeting agenda, minutes and reports for each quarter. Items to be summarized will be City Utilization, Schools Utilization, Small Purchases, Disparity Study, Guest Speaker(s) and Recommendations. Mr. Pearson asked Ms. Spencer if this summary should help reduce the number of questions asked during the City Council presentations. Ms. Spencer replied she was hoping the information presented in this format will be helpful for City Council; however, it is anticipated questions will still be asked that do not pertain to the information presented to Council. Mr. Daughtrey also stated it will be important to share how we are doing compared to Disparity Study goals. Mr. Brown asked if there were strategies suggested in the first Disparity Study currently being used. Ms. Spencer replied several strategies have been established in the program such as enhancing the outreach (e.g., web site, electronic notifications, marketing the program) and aspirational goals. Many goals recommended in the Study have been accomplished. It was interjected that; often, overall utilization percentages are noted instead of the positive numeric goals as set forth in the Disparity Study. Those are the goals the PPOC has been trying to meet.

Procurement Process Overview – Ms. McRae introduced Ms. Octavia Andrew, a new Senior Buyer in Procurement, who works closely with construction documents. Ms. McRae also presented an overview of the bid information distributed to companies in a bid process. The first package Ms. McRae reviewed included the following information:

- 1) Instructions to Vendors (Invitation to Bid and General Conditions)
- 2) Contract Document requirements (to be completed by successful bidder)
- 3) Drawings (from architect or design contractor)
- 4) Pre-Bid Question Form
- 5) Response Forms (Bid Sheet and Non-Collusive/Nondiscrimination)

The second package was a template of the “Invitation to Bid”. A department is responsible for notifying Procurement if the contract is expected to be over \$100,000 so aspirational goals can be included. Mr. Brown inquired about the process of verifying that M/WBE businesses are being used. Ms. Spencer replied after the bid is awarded, staff follows up quarterly to insure payments have been made and visits are scheduled to insure the M/WBE contractors are on site. If staff discovers a prime is not using the M/WBE firms, they will encourage the contractor to hire another M/WBE firm and continue follow-up as to sub-contractors used. A company can be sanctioned by the City if they do not continually adhere to the City’s program requirements. Staff will document the concern, offer assistance and then track the progress of the contract requirements.

The final document Ms. McRae explained was “Instructions and Information on Complying with City Insurance Requirement” developed by Risk Management. This is a form listing all insurance requirements of the company awarded the bid.

Mr. Graves suggested page numbers can be added to the items listed under “Contents” on page 1 of the “Instructions to Vendors” package so that sections can easily be referenced by anyone reviewing or discussing the package.

Regarding bids for contracts over \$100,000, Mr. Brown asked who receives this information. Ms. McRae replied it is sent electronically, posted on Procurement’s website, sent to minority vendors and emailed to companies who have expressed to staff an interest in bidding. Mr. Brown asked if a workshop is planned to walk small businesses through the bidding process. Ms. Spencer replied a workshop, “How to Bid with the City of Hampton”, was held last year. This workshop has not been scheduled for this year.

A discussion was held regarding the difficulty of the bidding procedures. Ms. Yee shared her company has been through this process several times and she felt it was not as difficult compared to state and federal bids. She also commented it’s becoming more difficult to win a bid because companies are submitting very low bids. Relating to that comment, Mr. Graves asked about companies submitting change orders. Ms. McRae replied a company is allowed up to 25% for change orders based on the contract. Mr. Daughtrey stated change orders must be approved because capital projects are limited by available funding. Any significant changes to the contract must be explained and then reviewed/approved by the department, City Manager and City Council. Ms. McRae stated low bids are also addressed and references/background checks are performed. If a company fails to address certain bid criteria, which then results in submitting too low of a bid, they can withdraw their bid. Once the contract is signed by the vendor, they are required to fulfill the job as specified.

New Business

Hampton City Quarterly Reports - Ms. Howard distributed revisions to page 16, “Hampton Vendors Apr 2011-Mar 2012” that had been emailed to the PPOC members prior to the meeting. She then shared an overview and comparison of total purchase orders for the 3rd quarters of FY11 and FY12 including details of M/WBE purchase orders. The M/WBE reports included FY11 and FY12 comparison information on purchase orders, minority purchase order activity for FY 2011, average transaction amounts, M/WBE purchase order comparisons, utilization analysis of credit card purchases, Hampton minority vendors, disparity study goals comparison, purchase order activity by department and chart comparisons. Ms. Howard reviewed each report with the members. Total purchase orders increased \$9.4 million (89.9%) from FY11 to FY12 with the M/WBE purchase orders decreasing \$240,951 (30.76%) from FY11. Included in this overview were details on the significant increases or decreases in purchase orders indicated in these two quarters. Ms. Howard also stated a department report on credit card purchases is being developed and should be available to present during her annual report presentation.

During the disparity report presentation, a discussion was held regarding the low bid response by minority vendors for construction contracts and A&E services. Ms. Spencer shared the response rate remains at or below 3% from minority vendors even though there is an availability of minority construction companies receiving invitations to bid. Regarding the lack of A&E availability, Ms. Spencer shared that, due to low representation, staff has made efforts to increase the number of A&E vendors listed in the City Directory. Mr. Deerfield asked if bid requests are

being sent to George Gaynor. Ms. Spencer replied she has personally met with Mr. Gaynor, he is being notified of contract opportunities although he did not respond to a recent bid solicitation. Mr. Deerfield asked if there is a way to follow-up with minority companies to find out why they are not bidding. Ms. Spencer replied if a company does not respond to a bid, staff will attempt to follow-up with phone calls or emails to determine their reasons for not bidding. The response rate to these follow-up inquiries is very low as well. Ms. Spencer stated she believes Hampton's process is not that difficult compared to other cities and the state, which is twice as much paperwork. Companies need to bid. Even small companies must take the time to monitor email notifications, check the paper, complete the bid requirements and submit it to the city. A discussion on realistic construction goals, sub-contracting opportunities and the availability of qualified vendors was held. Ms. Spencer cited examples of low M/WBE response in other municipalities as well as low attendance to workshops.

Mr. Crocker suggested a program that would offer small construction jobs with the city so smaller business owners could become familiar with the city's process. He feels the city would get a better response because small business owners feel city contracts are too much of a burden to handle. Mr. Crocker stated even he would feel exhausted from the work required and has not pursued becoming SWaM certified.

Ms. Spencer agreed that she has talked to many small companies about pursuing SWaM certification but they choose not to because they do not plan to bid on city or state contracts. However, this also keeps them from being listed in Hampton's Small Business Directory, thus affecting even small purchase opportunities. Mr. Crocker replied if a company does not employ someone who understands the process and can respond to a bid, then it seems like too much work. Mr. Brown asked if sub-contracting jobs are tracked. Ms. Spencer replied if the contract is over \$100,000, the sub-contracted jobs in that contract are monitored.

After these discussions, Ms. Howard completed her 3rd quarter report presentation.

Hampton City Schools Quarterly Report – Ms. Scott presented the HCS quarterly reports. 252 purchase orders were issued to WBE vendors and 63 were issued to MBE vendors. Total SWaM dollars spent was \$552,194 indicating 10.1% of the total \$5,514,154 spent. This favorably compares to the FY11 quarter which was 6.56%. The average transaction value for WBE was \$395.83 and the average for MBE was \$7,181.68 (inflated due to a large PO to Taylor Enterprises (a Hampton vendor) for a heating & air conditioning project). The average transaction for all vendors was \$1,332.89. Details of SWaM departmental purchase orders are included in the back of the report. Referencing Mr. Crocker's earlier statement, Ms. Scott shared she has noticed repeat business with W/MBE companies. Once a W/MBE vendor responds to a bid with a competitive price and delivers the goods and/or services, staff will continue to use these vendors. If a W/MBE company can be awarded smaller jobs, it gives them experience and exposure and helps them to then get repeated business. Ms. Scott also shared she has had the experience of vendors asking her to quit calling them because they do not want to be competitive. After attempting to encourage W/MBE businesses to bid, this is a frustrating response for staff to hear. Mr. Brown asked if this report included credit card purchases. Ms. Scott replied, with the exception of School Board purchases and recruiting trips for HR staff, school employees do not have credit cards.

Announcements: The next meeting will be held on Wednesday, May 16, 2012. It will be held in the IDA Conference Room, 6th floor, Ruppert Sargent Building, 1 Franklin Street, Hampton, VA 23669.

Procurement Manager Announcement – Mr. Daughtrey announced Doris McRae has been temporarily promoted to Procurement Manager in the Procurement Office.

Public Comments:

Edwin Boone, Sunshine Carpet & Upholstery Cleaning – Mr. Boone said there must be a pattern of more than just two minority companies who have been dropped from construction contracts. Since he attends construction meetings, he said he knows some companies won't turn in bids because it costs too much money for them to qualify for the contracts. He shared a personal experience of thinking he might bid on a larger contract so he would be able to purchase a new machine but was reminded he could only do that "if" he was awarded the contract. If he had decided to purchase this machine to do this job, he probably would not have been awarded the contract anyway. Regarding jobs of \$5,000 and below, Mr. Boone said he was called to bid on a job where he would only have made about \$128. He responded with a quote but did not get the job. Because jobs are so small, or because they assume someone else will be selected anyway, minority companies are not responding. The track record of not being contacted for jobs, and the small jobs that are being offered, makes it hard for minority companies to trust that they will get a contract. Any money a minority company might invest in order to complete the job would probably go down the tubes. He stated he should have been called back about the one small job (\$128) but he must have been too high. The jobs are so low it's almost not worth responding but he will continue to bid. It's a shame if this would be the only opportunity he gets.

Following up on Mr. Boone's comments, Mr. Graves said he could not believe we would even put out a bid for \$128. Ms. McRae clarified it would not be a "bid" but a phone call seeking a quote to do the job.

Adjournment: There being no further business, the meeting was adjourned at 1:45 p.m.

Copies forwarded to:

*Mayor Molly Joseph Ward
Vice-Mayor George E. Wallace
Councilman Christopher G. Stuart
Councilman Will Moffett
Councilman Ross A. Kearney, II
Councilman Donnie Tuck
School Board Member, Dave Pearson
City Manager, Mary Bunting*

*James A. Peterson, ACM
Karen S. James, Deputy City Attorney
Karl S. Daughtrey
Jessica Spencer
Arnelia Hancock
Doris McRae
Denise Howard
Victor Hellman
Suzanna Scott*

*Michael Graves, PPOC Chairman
Lauren Yee, PPOC Vice-Chairman
William Brown
James Crocker
Martin Cross
Eddie Deerfield
Eugene Johnson
Crystal Kleiber
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